

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2000

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**BALANCE SHEETS**  
September 30, 2000 and 1999

	<b>9/30/2000</b>	<b>9/30/1999</b>
		<u>Exhibit A</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 16,486,566	\$ 19,537,141
Accrued interest		
Investments	1,280,540	1,051,177
Treasurer	201,919	239,028
Total accrued interest	1,482,459	1,290,205
Receivables		
Escheated estates	309,263	488,790
Fines and penalties	463,840	353,625
Land Sales	148,510	0
Total receivables	921,613	842,415
Investments		
Land contracts	120	120
U.S. Government securities	63,210,117	50,560,175
Total investments	63,210,237	50,560,295
Land held by State Land Office	2,977	2,977
<b>Total Assets</b>	<b>82,103,852</b>	<b>72,233,033</b>
<b>Liabilities</b>		
Due the Distributive School Account	2,116,554	764,881
<b>Fund balances</b>	<b>79,987,298</b>	<b>71,468,152</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 82,103,852</b>	<b>\$ 72,233,033</b>

The notes to the financial statements and schedules are an integral part of this statement.

# STATE OF NEVADA

## PERMANENT SCHOOL FUND

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Quarters Ended September 30, 2000 and 1999

	<u>Quarter Ended 9/30/2000</u>	<u>Exhibit B Quarter Ended 9/30/1999</u>
<b>Operating Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 798,121	\$ 867,676
District Courts	207,999	174,115
Other Fines and Penalties	<u>2,000</u>	<u>15,000</u>
Total fines	1,008,120	1,056,791
Investment income	2,116,554	764,881
Land sales	158,110	157,000
Miscellaneous	<u>8,752</u>	<u>18,735</u>
Total operating revenues/income	<u>3,291,536</u>	<u>1,997,407</u>
<b>Operating Transfers</b>		
Transfer from (to) Escheated Estates Fund	15,156	29,394
Transfer to Distributive School Account	<u>(2,116,554)</u>	<u>(764,881)</u>
Net operating transfers	<u>(2,101,398)</u>	<u>(735,487)</u>
Net income	1,190,138	1,261,920
Fund balances, beginning of period	<u>78,797,160</u>	<u>70,206,232</u>
Fund balances, September 30	<u>\$ 79,987,298</u>	<u>\$ 71,468,152</u>

The notes to the financial statements and schedules are an integral part of this statement.

# STATE OF NEVADA

## PERMANENT SCHOOL FUND

### STATEMENTS OF CASH FLOWS

For the Quarters Ended September 30, 2000 and 1999

Exhibit C

	<b>Quarter Ended 9/30/2000</b>	<b>Quarter Ended 9/30/1999</b>
<b>Cash flows from operating activities:</b>		
Justice Court fines	\$ 768,278	\$ 834,957
District Court fines	175,110	178,579
Other fines and penalties	2,000	15,000
Public land sales	256,486	157,000
Miscellaneous income	8,752	19,485
Net cash provided by operating activities	1,210,626	1,205,021
<b>Cash flows from noncapital financing activities:</b>		
Operating transfer in	58,760	32,932
Operating transfer out	(2,979,547)	(346,100)
Net cash used for noncapital financing activities	(2,920,787)	(313,168)
<b>Cash flows from investing activities:</b>		
Sales of investments	0	5,000,000
Treasurer's interest distribution	212,227	220,509
Investment interest	453,524	313,500
Purchased interest	75,022	0
Net cash provided by (used for) investing activities	740,773	5,534,009
Net increase (decrease) in cash and cash equivalents	(969,388)	6,425,862
Cash and cash equivalents at beginning of period	17,455,954	13,111,279
Cash and cash equivalents at end of period	\$ 16,486,566	\$ 19,537,141
<b>Reconciliation of net operating income to cash provided by operating activities:</b>		
Total operating income	\$ 3,291,536	\$ 1,997,407
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	35,644	(27,506)
Investment income reported as operating income	(2,116,554)	(764,880)
Net cash provided by operating activities	\$ 1,210,626	\$ 1,205,021

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**  
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**GENERAL**

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund was created as a nonexpendable trust fund. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund which apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. White Pine County School District and Douglas County School District entered into guarantee agreements for general obligation bond principal amounts totaling \$7,510,000 and \$8,710,000, respectively during the fiscal year ended June 30, 1998. During the third quarter of 1999, Nye County School District entered into a guarantee agreement for general obligation bond principal amounts totaling \$17,750,000. On August 9, 2000, Churchill County School District entered into a guarantee agreement for general bond principal amounts totaling \$3,655,000.

**REVENUE SOURCES**

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND NOTES TO FINANCIAL STATEMENTS**

Basis of Accounting:

Transactions are recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended September 30, 2000, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$12,635,406.81. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended September 30, 2000, funds held by the State Treasurer earned interest at an effective rate of 6.37 percent.

Investments:

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, which the Permanent School Fund implemented during the fiscal year ending June 30, 1998. In accordance with GASB Statement No. 31, all investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**SCHEDULE OF INVESTMENTS**  
September 30, 2000

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Fixed Income Securities</b>					
U.S. Treasury Note	7.500	11/15/01	\$ 5,000,000	\$ 5,001,750	\$ 5,064,850
Fed. Nat'l. Mortgage Assoc.	5.750	9/12/05	4,500,000	4,324,230	4,414,230
Fed. Nat'l. Mortgage Assoc.	6.500	12/22/04	13,000,000	12,997,969	12,703,470
Fed. Nat'l. Mortgage Assoc.	6.850	2/15/08	10,675,000	9,760,953	10,071,222
Fed. Home Loan Bank Note	7.250	11/1/06	5,000,000	5,018,750	4,912,500
Fed. Home Loan Bank Note	6.875	11/22/06	6,500,000	6,500,000	6,334,445
Fed. Home Loan Bank Note	6.300	6/1/04	10,000,000	10,009,100	9,771,900
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	9,937,500
Total Fixed Income Securities			<u>\$64,675,000</u>	63,450,352	63,210,117
<b>Fixed Income Contracts</b>					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$63,450,472</u>	<u>\$ 63,210,237</u>

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**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**

For the Quarters Ended September 30, 2000 and 1999

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 9/30/2000</b>	<b>Quarter Ended 9/30/1999</b>
Carson City	\$ 7,317	\$ 6,153
Churchill	11,195	13,574
Clark	429,738	429,643
Douglas	8,298	6,457
Elko	20,031	29,533
Esmeralda	2,215	9,077
Eureka	13,393	9,966
Humboldt	0	0
Lander	2,050	4,602
Lincoln	4,339	2,513
Lyon	27,751	30,857
Mineral	90	0
Nye	68,018	53,964
Pershing	1,604	2,209
Storey	0	0
Washoe	201,592	268,993
White Pine	490	135
Total	<u>\$ 798,121</u>	<u>\$ 867,676</u>

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**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarters Ended September 30, 2000 and 1999

Schedule 3

<b>County</b>	<b>Quarter Ended 09/30/00</b>	<b>Quarter Ended 09/30/99</b>
Carson City	\$ 6,322	\$ 2,115
Churchill	4,843	4,933
Clark	101,246	100,213
Douglas	13,481	7,893
Elko	24,136	20,377
Esmeralda	100	50
Eureka	0	0
Humboldt	5,848	2,725
Lander	920	1,359
Lincoln	2,612	2,930
Lyon	2,775	1,631
Mineral	1,025	1,372
Nye	7,908	585
Pershing	1,109	1,428
Storey	0	25
Washoe	33,243	24,408
White Pine	2,431	2,071
Total	<u>\$ 207,999</u>	<u>\$ 174,115</u>

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**SCHEDULE OF INVESTMENT INCOME EARNED**

For the Quarter Ended September 30, 2000

Schedule 4

**Interest:**

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
U.S. Treasury Note	7.500	\$ 5,000,000	\$ 93,750
Fed. Nat'l. Mortgage Assoc.	6.500	13,000,000	211,250
Fed. Nat'l. Mortgage Assoc.	5.750	4,500,000	64,687
Fed. Nat'l. Mortgage Assoc.	6.850	10,675,000	180,149
Fed. Home Loan Bank Note	7.250	5,000,000	90,625
Fed. Home Loan Bank Note	6.875	6,500,000	111,719
Fed. Home Loan Bank Note	6.300	10,000,000	157,500
Fed. Home Loan Bank Note	6.905	10,000,000	172,625
			<u>1,082,305</u>
Interest Paid on Cash Equivalents			<u>67,515</u>
Total interest on investments			<u>1,149,820</u>
First quarter Treasurer's distribution			<u>201,919</u>
Total interest			<u>1,351,739</u>
<b>Change in fair value of investments:</b>			
First quarter change in fair value of investments			<u>764,815</u>
Total investment income earned for the quarter ended September 30, 2000			<u>\$ 2,116,554</u>